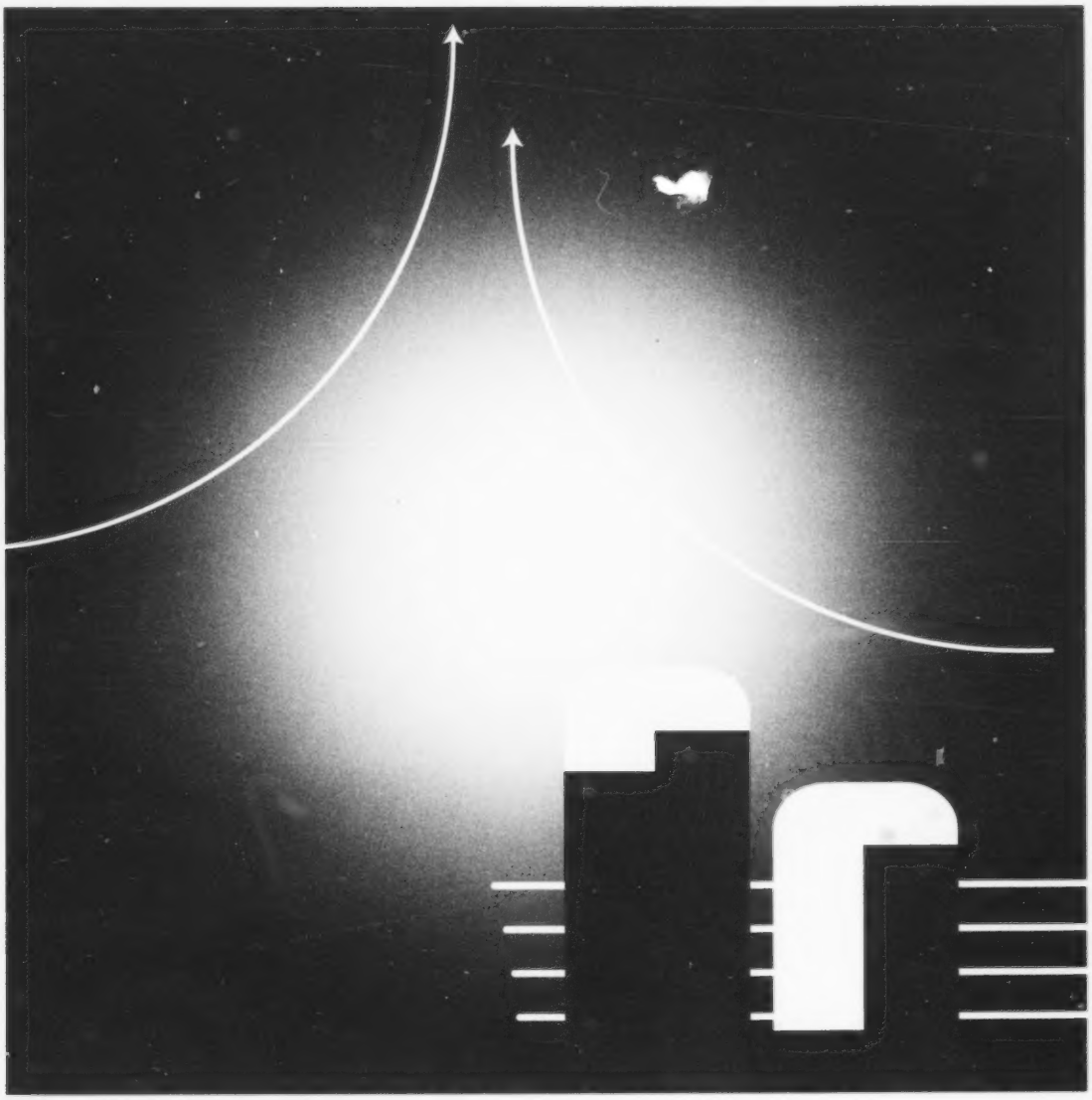
Survival Rates of Co-operatives in Québec



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1 INTRODUCTION

Non-financial co-operatives are businesses with a major economic impact: $6.2 billion in turnover. These businesses employ 28,300 people, an increase of 21% over the last five years.

From 1960 to 1995, over 2,000 co-operative businesses, excluding the housing sector, were created in Québec. It seemed useful for the co-operative movement and for the Co-operatives Branch of the DIT to determine the survival rate for the businesses set up since 1960, and more specifically since 1984.

In fact, many questions have been raised concerning the longevity of co-operative businesses.

Are non-financial co-operatives sustainable over the medium and long term?

Is their survival rate comparable to that of other private businesses, higher, or lower?

Are there significant differences in results between co-operative sectors?

Are there any determining factors favouring the longevity of co-operatives?

These are the questions this analysis seeks to address, based on administrative and financial data from the Co-operatives Branch.

Thus, our purpose is to determine the survival rate of co-operative businesses by type and by sector after 5 and 10 years of activity as well as over the longer term while establishing, insofar as possible, a comparison with other private businesses. As for the private sector data, it should be pointed out that the primary source used was Statistics Canada. However, data from the Institut de recherche sur les PME, the small-business research institute of the University of Québec at Trois-Rivières (UQTR), on manufacturing businesses was used in some cases for comparison purposes, especially in the case of worker-shareholder co-operatives.

The analysis of the survival rates of co-operatives should permit comparison between such organizations and other private enterprises. The study should also offer a clearer definition of co-operatives by broad sectors through the statistics and comments presented.

In order to present a more precise description of the survival rate of co-operatives after 5 and 10 years, we analysed the changes in the number of such businesses created from 1960 to 1995. The number of businesses set up between 1960 and 1995 and still active in 1998 was verified. For the purposes of this study, we called this ratio the "general survival rate". This process enabled us not only to shed additional light on the viability of co-operatives, but also to identify development cycles in several co-operative sectors, and the main causes thereof.

A Survival rate (5 and 10 years)

Survival rates were calculated for this study using the financial and administrative databank of the Co-operatives Branch. They concern only non-financial co-operatives, excluding the housing sector[1]. However, some data on this sector are presented in Chapter 1.

The financial information from the Co-operatives Branch databank came from the annual reports of co-operative businesses and the various other statistics they provide. The databank was computerized in 1984.

To establish the sectoral survival rate over the periods of 5 and 10 years, only those co-operatives which were set up and sent their annual report to the Co-operatives Branch were considered. A few co-operatives that were active to some extent, but which had not submitted an annual report, were nevertheless included in this study.

Our analysis of survival rates after the 5-year and 10-year periods covers the time frame from 1984 to 1997, for which data is more reliable and verifiable than those for 1960 to 1983.

To determine the survival rate after five years, nine five-year periods were analysed:

1984-1989	1987-1992	1990-1995
1985-1990	1988-1993	1991-1996
1986-1991	1989-1994	1992-1997

For example, a co-operative enterprise set up in 1984 that produced an annual report or reports had to be active in 1989 for us to consider that it was still active after 5 years. The analysis of the survival rate after five years was based on the total population of non-financial co-operatives (excluding housing) started up between 1984 and 1992, for a total of 475 businesses.

To determine the survival rate after 10 years, four 10-year periods were analysed:

1984-1994	1986-1996
1985-1995	1987-1997

For example, a co-operative enterprise set up in 1987 that produced an annual report or reports had to be active in 1997 for us to consider that it was still active after 10 years. All non-financial co-operatives (excluding housing) set up between 1984 and 1987 were analysed for a total of 247 businesses.

1 In view of the specific nature of services rendered by housing co-operatives and the fact that they are quite numerous, it seemed preferable not to include the data on such organizations in determining the survival rate of co-operatives.

B Change in the number of co-operatives incorporated between 1960-1995 and the general survival rate (long-term)

To track changes in the number of co-operatives incorporated, the administrative file of the Co-operatives Branch containing data on the establishment and evolution of co-operatives was used. Certain data was extracted from this file such as the name of the co-operative, the date of establishment, the kind of co-operative, the sector of activity, the date of its last annual report, and the active or inactive code. Using this extraction and classification, the number of co-operatives established during the period from 1960 to 1995 was calculated. It was then determined whether these co-operatives were still active in 1998, in order to arrive at what we call the general survival rate.

The data on the creation of co-operatives was grouped in five-year segments. However, businesses that recorded no activity were not excluded, and this creates a slight distortion that nevertheless makes for more conservative results. Once again, the data available for the period prior to 1984 was not reliable as to the exact number of years a co-operative remained active after being granted its charter.

The boxed information presented at the beginning of each major section was drawn largely from the 1996 statistical data published by the Co-operatives Branch (1998 edition).

Finally, note that enterprises which merged during the period under consideration (1960-1995) were considered active.

A Breakdown of survival rates for co-operatives (by type and by sector) in Québec

Type of co-operative	Sector	5 years [1] survival rate, %	10 years [1] survival rate, %	General [1 and 2] survival rate, %
Federations	(Various sectors)	100	86	77
Consumers	Food	31	10	14 [3]
	Funeral [4]	100	50	75
	Student	84	67	51
	Cable television	95	92	62
	Other sectors	84	74	35
		82	66	36
Producers	Agricultural	75	44	41
	CUMA [5]	86	N/A	87
	Other sectors	76	70	29
		77	58	36
Employees	Forestry	62	53	34
	Ambulance [4]	83	100	83
	Other sectors	39	21	14
		44	26	20
Worker-shareholders		51	40	24
Average survival rate of co-operatives		64	46	30
Average survival rate in the private	**Statistics Canada (all businesses)** [6]	36	20	N/A
	Inst. de rech. sur les PME (UQTR) (manufacturing sector) [7]	47	30	N/A

1 See Appendices A, B and C for details of target populations for each survival rate.

2 In order to establish the "general survival rate", businesses in operation in 1998 but created between 1960 and 1995 were surveyed. The businesses in this group have an average of almost 18 years in operation, which allows us to determine the broad survival trends.

3 The general survival rates target a broader sample than the one that was used to establish the survival rates after 5 and 10 years. In the case of food co-operatives, the general or long-term survival rate is higher than the short-term rate, since businesses in this sector that were created before 1984 had a much higher survival rate than after 1984.

4 The small population in the funeral and ambulance sectors for the years that were surveyed create a distortion for the survival rates after 5 and 10 years. For these sectors, the general survival rate is more significant.

5 The first farm machinery co-operatives were created in the early 1990's, therefore the survival rate after 10 years could not be established.

6 Rates were taken from the document titled *The Determinants of survival for new Canadian firms: a characteristic-based approach* - Statistics Canada, April 1998, pages 6 and 7 (see Appendix D).

7 Rates obtained from the Institut de recherche sur les PME, UQTR. Note that these rates apply to SMEs in the manufacturing sector and not to all businesses.

Source: Co-operatives Branch, DIT

B Observations relating to the survival rate of co-operatives after 5 and 10 years

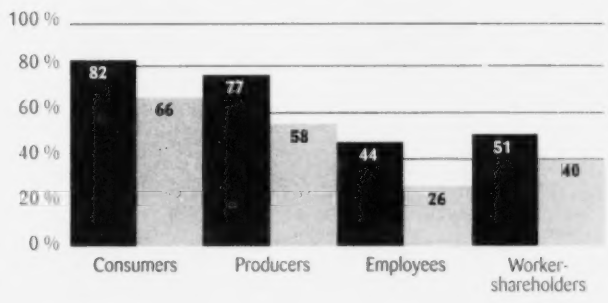
• Co-operative businesses tend to last longer than other businesses in the private sector

• More than 6 out of 10 co-operatives survive more than five years, as compared to almost 4 businesses[8] out of 10 for the private sector in Québec and in Canada in general.

• More than 4 out of 10 co-operatives survive more than 10 years, compared to 2 businesses[8] out of 10 for the private sector.

• Consumer co-operatives have the highest survival rate, with an average of 82% over five years and 66% over 10 years.

Chart 1 Survival rate of co-operatives, after 5 and 10 years, by type of co-operative, % in Québec



Source: Co-operatives Branch, DIT

• More than one out of every two producer co-operatives survive more than 10 years.

• Worker co-operatives show a survival rate that is slightly higher than the one observed by Statistics Canada for businesses in general. However, within this group, there are broad disparities. Thus, ambulance and forestry co-operatives show the highest rates after five years, with 83% and 62% respectively. After 10 years, the survival rate of these co-operatives remains high. For the other worker co-operatives, the survival rates after 5 and 10 years are 39% and 21% respectively, which is similar to the data for the private sector.

[8] Statistics Canada, p. 6 and 7.

• The worker-shareholder co-operatives survive after five years in 51% of cases; the percentage is 40% after 10 years.

• The difference between the average survival rate for co-operatives for the 5 and 10-year periods is 18% (64% - 46%). This difference is similar to that in the private sector: 16% (36% - 20%) according to Statistics Canada and 17% (47% - 30%) according to Institut de recherche sur les PME (UQTR).

• Businesses that fail do so mainly during their first five years of operation. For co- operatives as a whole, we note that 36% of them are forced to close down after zero to five years as compared to 18% from 5 to 10 years. The gap is even wider for worker co-operatives, for example: 56% of these do not last five years, and 18% stop operating after 5 to 10 years.

C Observations relating to the evolution in the number of co-operatives incorporated (1960-1995) and to the general survival rate

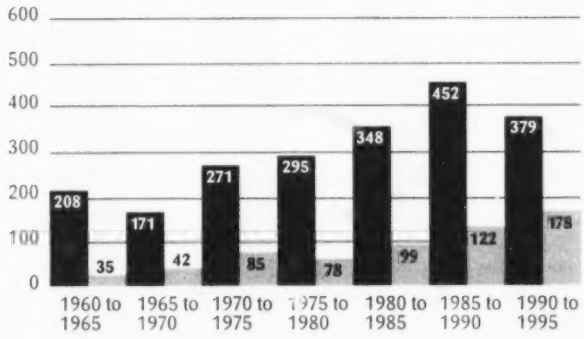
• From 1960 to 1995, 2,124 co-operatives were created (excluding the housing sector).

• Of the 2,124 co-operatives that were created, 639 were still operating in 1998, which represents a general or long-term survival rate of 30% (see Chart 2).

• From 1960 to 1995, 1,672 housing co-operatives were created, with 1,001 still operating in 1998, which translates into a survival rate of 60% during that period.

• The number of co-operatives increased from 1980 to 1990. New government measures and programs, as well as the creation of regional and sectoral groupings, contributed to this rise in co-operative start-ups.

Chart 2 **Change in the number of co-operatives incorporated between 1960 and 1995, and surviving co-operatives in 1998**

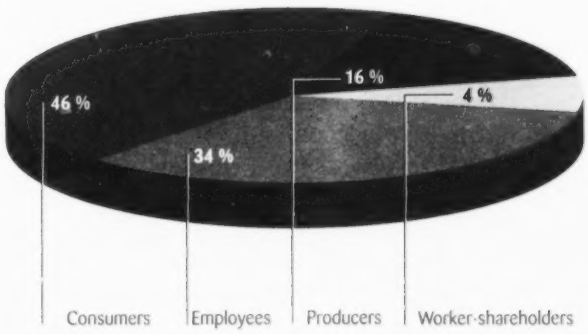


Source: Co-operatives Branch, DIT

• The number of start-ups falls during the period 1990-1995 due to, among other things, the reorganization of government services for co-operatives. However, if the trend continues, the number of start-ups during the 1995-2000 period will be much greater than the 1990-1995 period, thanks to major development of co-operatives in new sectors (household services, industrial sector, regrouping of services, etc.).

• Co-operatives incorporated between 1960 and 1995 (excluding the housing sector) fall into the following categories: 46% consumer, 16% producer, 34% worker, 4% worker-shareholder.

Chart 3 **Breakdown of co-operatives incorporated between 1960 and 1995, by type of co-operative, %**



Source: Co-operatives Branch, DIT

• Note that co-operatives incorporated during recessionary periods last longer than those that first saw the light of day in a more favourable economic climate. This observation parallels the findings in a study released in 1991 by the Canadian Federation for Independent Business entitled "Born out of adversity: Why do businesses created during a recession have a better chance of survival?".

• In 1998, the breakdown of start-ups by type of co-operative is quite different from the situation of 1960 to 1995. There is a marked increase in new types of co-operatives, that is worker-shareholder co-operatives and solidarity/multi-stakeholder co-operatives.

Chart 4 **Creation of co-operatives, by type, in 1998, %**

Source: Co-operatives Branch, DIT

• The solidarity/multi-stakeholder co-operative, a concept that was introduced in the Co-operatives Act in the 1997 amendments, should represent more than 20% of new co-operatives in the coming years.[9] This new type of multi purpose co-operative is meant to provide a flexible legal structure that allows various stakeholders with common interests, such as user-members, employee-members, support-members to come together.

[9] Note that almost a third of the co-operatives that were created in 1998 are new types of co-operatives (solidarity/multi-stakeholder and worker-shareholder).

Consumer co-operatives

CHAPTER 1

1.1 General profile

Consumer co-operatives supply goods and services to their members. These co-operatives can be found mainly in the food, housing, funeral, student supply and services, and cable television sectors.

Table 1 contains a compilation of the number of consumer co-operatives established from 1960 to 1995 (excluding the housing sector), grouped in five-year periods. It does not take into account businesses created before 1960. Based on the data, we have determined whether these co-operatives were still operating in 1998.

On a 35-year horizon (1960 to 1995), it is interesting to determine the survival rate by sector.

For the consumer co-operatives as a whole, the general or long-term survival rate is 36%. Moreover, there are broad differences between the sectors. The funeral sector was the best performer, with 75% of the general survival rate, and the student sector also did well, with 51%. The other consumer co-operatives have a ratio of 35% and the food sector comes in last place with 14%.

Table 1 Comparison between the number of consumer co-operatives* incorporated between 1960 and 1995 (5-year periods) and the number surviving in 1998

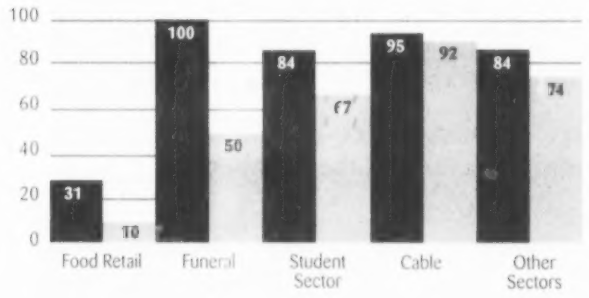
Years	Food Retail		Funeral		Student Sector		Other Sectors		Total	
	No. of Incorp.	Active in 1998	No. of Incorp.	Active in 1998	No. of Incorp.	Active in 1998	No. of Incorp.	Active in 1998	No. of Incorp.	Active in 1998
1960 to 1965	16	3	2	2	3	1	84	17	105	23
1965 to 1970	13	1	2	1	49	16	53	15	117	33
1970 to 1975	71	9	30	22	25	12	67	20	193	63
1975 to 1980	112	16	15	11	0	0	43	10	170	37
1980 to 1985	54	7	7	6	30	19	54	28	145	60
1985 to 1990	11	2	3	2	38	22	85	43	137	69
1990 to 1995	5	2	1	1	40	25	59	38	105	66
Total	**282**	**40**	**60**	**45**	**185**	**95**	**445**	**171**	**972**	**351**

* **Excluding the housing sector**

Source: Co-operatives Branch, DIT

Chart 5 establishes the survival rate for consumer co-operatives over a 5-year and 10-year period in the main sectors where these businesses operate. Note that we have added cable television, a newly emerging sector. It will have a separate heading in the "Other sectors" category. We will later return to an individual analysis of each of the large sectors belonging to the "consumer co-operatives" group.

Chart 5 Survival rate for consumer co-operatives, by sector, after 5 and 10 years, %



Source: Co-operatives Branch, DIT

N.B.: The survival rate after 5 and 10 years for funeral homes is unreliable because of the small number of businesses in that sector. However, as has already been mentioned, the long-term survival rate for that sector appears to be the most significant.

Note that Appendices A, B and C contain information on the co-operative populations for each survival rate (5 years, 10 years and general).

1.2 The food sector

Food co-operatives survive more than five years 3 times out of 10. This result is slightly lower than private sector retail businesses. After 10 years, the survival rate for these co-operatives reaches 10%, a proportion that is clearly lower than that of the sector, which is 20%. [10]

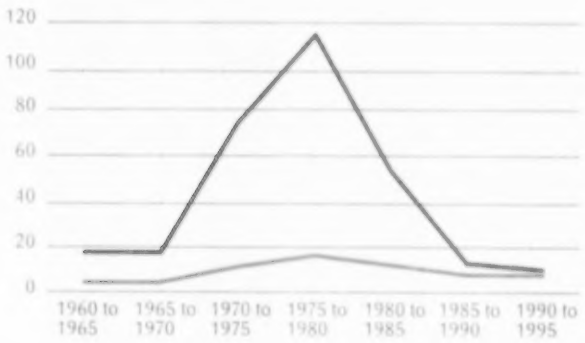
Today in Québec, more than 85,000 members belong to food co-operatives; these generate more than $330 million worth of business and employ 1,928 people. There are 77 co-operatives in this sector, 37 of which were established before 1960.

Co-operatives in the food sector include co-op stores, food clubs, and natural food or specialized food co-operatives. Grocery stores supply both food and non-food consumer goods. The same applies to food clubs. However, the latter group operate according to a different formula, that is through direct weekly or monthly fees.

The natural food co-operatives generally operate in the same way as the traditional co-operative food stores.

[10] Taken from *The Determinants of Survival for New Canadian Firms: A Characteristics-Based Approach*, April 1998, p. 7.

Chart 6 **Changes in the number of food co-operatives incorporated between 1960 and 1995, and number surviving in 1998**



Source: Co-operatives Branch, DIT

Chart 6 shows that food co-operatives experienced rapid development in the 1970s and 1980s, with over 235 co-operatives being created during that period. There are 37 co-operatives still active in 1998 that were created between 1916 and 1959; these are not dealt with in this study.

Progressive changes to the structure of the retail food distribution market in Québec and the massive influx of major food chains have hit food co-operatives hard. Although 282 food co-operatives were established between 1960 and 1995, there were only 40 left in 1998. This decline is closely linked to the bankruptcy of the Fédération des magasins co-op (FMC) (co-op store federation) in the early 1980s and to depopulation of rural and semi-urban areas, where these businesses were primarily located. Consumer co-operative groups (food clubs) have decreased in number owing to stronger competition and a falling away of membership as a result of the volunteer commitment and the direct costs that must be assumed.

Food co-operatives have lost significant ground since the early 1980s. However, the recent arrival of the Fédération des coopératives d'alimentation du Québec (Québec federation of food operatives) has probably stemmed the decline. Moreover, new co-operative stores have been setting up in small communities over the past few years.

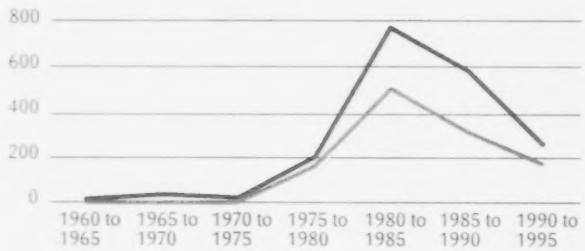
1.3 The housing sector

Housing co-operatives have good long-term viability, reflected by the fact that 96% are still going after five years and 92% after 10 years.

In Québec, the 1,031 housing co-operatives have over 20,000 members and have a turnover of over $130 million.

The main purpose of housing co-operatives is to make it easier for their members to own or have the use of a house or apartment. They constitute a significant share of the co-operative sector, accounting for 56.9% of all non-financial co-operatives in Québec.

Chart 7 **Change in the number of housing co-operatives incorporated between 1960 and 1995, and number surviving in 1998**



Source: Co-operatives Branch, DIT

With the help of various government aid programs, there was a considerable increase in housing co-operatives in the 1980s. The availability of programs under the Canada Mortgage and Housing Corporation (CMHC) and the Société d'habitation du Québec (SHQ) contributed to this development, especially in the Québec City and the Montreal regions.

The survival rate for housing co-operatives (96% over 5 years and 92% over 10 years) appears very high compared with similar rates for real estate services and insurance agencies in the private sector, where 44% still exist after five years and 26% after 10 years. This is not really a fair comparison, since the private sector firms must be considered employers, and are required to make deductions at the source. This is true to only a very limited extent in the case of housing co-operatives, since there is a total of only 38 paid positions in the 1,031 co-operatives that put in a tax return.

It is interesting to note that the creation of regional housing federations and a provincial confederation in the early 1980s led to a very significant drop in the number of housing co-operatives that had to close their doors. The support provided by the new organizations has had a direct impact on the survival of co-operatives in this sector. Moreover, there is a very strong connection between members and their co-operatives, since housing is an essential durable good.

In 1998, housing co-operatives were the largest housing owners, with nearly a billion dollars in assets. These co-operatives are providing a very important social service, providing housing at modest rent. They have also helped to revitalize downtown areas of a number of cities, especially in Québec City and Montreal.

1.4 The funeral sector

Funeral co-operatives have been recording a high survival rate. Although the data for survival after 5 and 10 years are inconclusive because of the small sample, we see that in the long term, these enterprises are extremely viable. In fact, the overall survival rate is 75%.

In Québec, funeral co-ops currently have more than 110,000 members, generate turnover of over $10 million and account for 151 jobs. There are 36 co-operative enterprises in this sector.

The main feature of funeral co-operatives is that they provide their members and families with complete funeral services. Even though they are not found everywhere (Montreal Island, for example), funeral co-ops play a leading role in this sector. For many years now, they have moderated excessive price increases by playing a regulatory role in this ever evolving market.

Chart 8 Change in the number of funeral co-operatives incorporated between 1960 and 1995, and number surviving in 1998

Source: Co-operatives Branch, DIT

It should be noted that in the 70s, the number of start-ups increased considerably. This initial increase is partly attributable to the influence of the clergy and community groups, who played a front-line role in the development of this sector. At the time, promoters of co-operative projects sought to offer parishioners a service based on mutual assistance and solidarity in an effort to reduce the excessive costs of funeral services.

Mergers of funeral co-operatives reduced the number of these enterprises. For example, 16 funeral service co-operatives merged in 1976 to become the Co-op funéraire québécoise. These mergers allowed a number co-operatives to achieve critical mass and expand their operations, thus facilitating their development.

The overall or long-term survival rate of funeral co-operatives is very high (75%), as pointed out above. However, it is difficult to compare these performances with those of private funeral companies because of the lack of data on the subject. Nevertheless, it has been observed that the funeral services sector in general is extremely viable, for various reasons. First of all, this business is stable, rather than cyclical. Also, there is usually a limited number of companies in a given territory and these companies are identified strongly within their communities. We also note that, generally speaking, families tend to be loyal to one funeral home. In the event of a death, people call upon the services of a well-known, local company.

The funeral market is constantly progressing. The aging of the population, and more particularly of the baby-boomers, will considerably increase the number of deaths in coming decades and the consumption of related services. In fact, Statistics Canada estimates that the proportion of people 65 and over in relation to the total population will continue to increase until approximately 2040. Experts also anticipate that, in Québec as in the rest of North America, the number of deaths per year will double over the next 45 years.

These eloquent figures illustrate a very strong growth potential for the funeral services sector. These prospects are not unrelated to the massive arrival in Québec of American multinationals who have recently been very active in acquiring Québec funeral homes. This invasion compelled Québec funeral co-operatives to pull together in the face of this extremely fierce competition.

Foreign companies, mainly American, already occupy almost 50% of the funeral market in Québec. Some of the largest local funeral homes have been acquired by companies from outside Québec in the past few years (Urgel Bourgie, Lépine et Cloutier, for example).

In order to counter the arrival of foreign corporations, the Fédération des coopératives funéraires du Québec launched a major acquisitions offensive in 1996. In addition, the Fédération supported the establishment of new co-operatives and the introduction of new service points by existing co-operatives. The objective of these co-ops is to double their market share between 1996 and 2000 by various means.

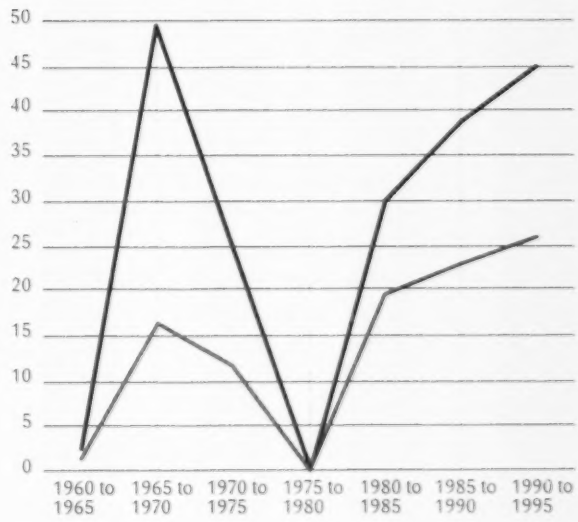
1.5 The student sector

The student co-operatives display a greater viability since they survive more than five years eight times out of ten while in the private retail sector, only four businesses out of ten succeed in doing so. After 10 years, the survival rate for co-operatives remains high at 67%, compared to 20% for the sector.

Today in Québec, more than 860,000 people are members of student co-operatives; these generate almost $90 million in business and employ 612 people. There are 95 co-operatives in this sector.

Education co-operatives provide student supplies to their members, including products such as sportswear and computers, as well as managing driving schools and cafeterias.

Chart 9 Change in the number of student co-operatives incorporated between 1960 and 1995, and number surviving in 1998



Source: Co-operatives Branch, DIT

At the beginning of the 1960s, the influence of the clergy and social upheaval, such as the reform of the education system and the rise of nationalism, contributed to the emergence of the co-operative movement in education.

Following the bankruptcy, in 1973, of the FCEQ (Fédération des coopératives étudiantes du Québec) (Québec federation of student co-operatives), the Department of Consumer Affairs, Co-operatives and Financial Institutions, with the agreement of the Department of Education and the CCQ (Conseil de la coopération du Québec) (Québec council of co-operatives) , decreed a moratorium

preventing the creation of new education co-operatives. Only in 1979 was this moratorium lifted.

At the beginning of the 1980s, the summit on co-operation provided an opportunity to begin anew and to reaffirm the fundamental nature of co-operatives in a school environment.

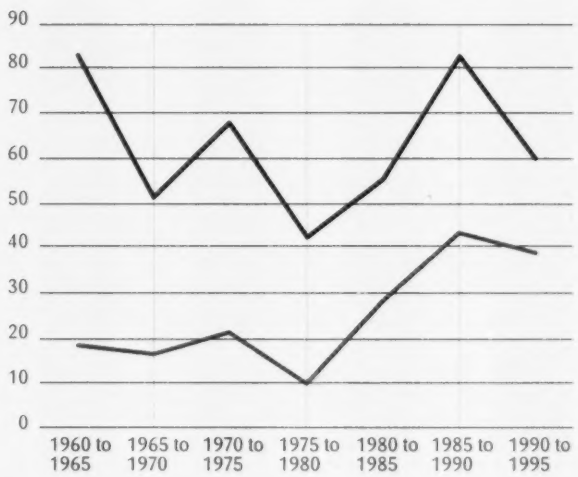
The student co-operatives sector, after experiencing some rough times, is now dynamic, diversified, and structured. The creation of the Fédération québécoise des coopératives en milieu scolaire (Québec federation of student co-operatives), in the mid-1980s, brought these businesses together in a network that enhanced their growth and improved their survival rate.

It is true that student co-operatives work in a protected area within an institution, however, increased competition in many fields such as computing has an effect on their businesses. Moreover, they must cope with a large turnover in management, which places further constraint on them. Despite such challenges, these organizations are obviously long-lasting and an excellent source of entrepreneurial experience for young people.

1.6 The cable television and other sectors

The other co-operatives can be found in different activity sectors, such as cable distribution, native peoples' co-operatives, leisure activities, family finance, day-care, teaching, buyers' groups and services to the public.

Chart 10 Change in the number of consumer co-operatives (others) incorporated between 1960 and 1995, and number surviving in 1998



Source: Co-operatives Branch, DIT

Among the other sectors, Cable television is a dominant sector, with a high survival rate for co-operatives: 95% after five years and 92% after ten years, compared to the private commercial sector and other public services with rates of 37%[11] and 21% for the same periods. However, this is not really a fair comparison, since the commercial and other public services sectors include not only cable television but a wide range of other sectors as well.

Cable television co-operatives operate firms in areas such as cable distribution, television or radio, for the benefit of their members. The viability of these businesses is all the more noteworthy as they were created without the benefit of specific programs. Moreover, they usually serve geographical markets or zones that have been neglected by the larger telecommunications corporations.

In the "other sectors" category, we also find native peoples' co-operatives with more than 5,500 members; they generate more than $37 million in business annually and employ 220 people. At present, this group includes 15 active co-operatives which, for the most part, were created between 1959 and 1982. It was not possible to determine their survival rate after 5 and 10 years, in view of the low number of co-operatives created in this sector during the period analysed. Moreover, they have a 55% general survival rate. These mixed co-operatives (consumers, producers) offer multiple products and services to their members, such as food staples, gasoline, transportation equipment, and restaurant and leisure services. These co-operative firms also distribute and market products made by northern craftsmen through their federation. These inuit and aboriginal co-operatives are an example of the success that can be achieved when a community takes matters into its own hands. These co-operatives, under the stewardship of local residents, are building and inuit and aboriginal managerial class as well as creating economic activity in a remote location.

[11] Statistics Canada, p. 7

Producer co-operatives

CHAPTER 2

2.1 General profile

A producer co-operative supplies professional goods and services to its members; in some cases, it also processes or markets goods and services produced by its members, mainly in the agricultural sector. Producer co-operatives, along with the savings and credit co-operatives, are among the oldest. Most agricultural co-operatives originated before 1960 and many of them are the result of a number of mergers. While there are producer co-operatives in many sectors (such as taxis), agriculture still generates almost all activity in this type of co-operative.

Chart 11 shows survival rates for agricultural co-operatives, machinery co-operatives (CUMA) and other producer co-operatives after 5 and 10 years. A word of caution, we must remember that this study on the survival rate begins in 1984. However, very few traditional agricultural co-operatives have been incorporated since 1984. Emerging agricultural producer co-operatives have been oriented more towards specialized agricultural products (for example, lamb marketing). These are usually small co-operatives operating in non-traditional sectors. The characteristics of these co-operatives are quite different from those of traditional agricultural co-operatives.

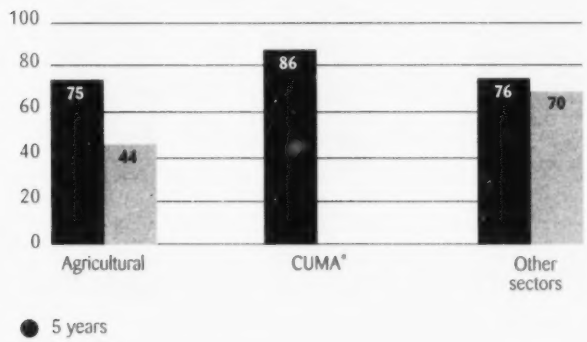
Table 2 Comparison between the number of producer co-operatives incorporated between 1960 and 1995 (five-year periods) and the number surviving in 1998

Year	Agriculture		CUMA		Other sectors		Sector total	
	No. incorp.	Active in 1998	No. incorp.	Active in 1998	No. incorp.	Active in 1998	No. incorp.	Active in 1998
1960 to 1965	19	0			19	1	38	1
1965 to 1970	6	2			14	3	20	5
1970 to 1975	15	5			23	10	38	15
1975 to 1980	32	13			28	6	60	19
1980 to 1985	27	13			43	4	70	17
1985 to 1990	14	9			23	13	37	22
1990 to 1995	20	12	16	14	32	15	68	41
Total	**133**	**54**	**16**	**14**	**182**	**52**	**331**	**120**

Source: Co-operatives Branch, DIT

In view of this difficulty, we must consider that the agricultural co-operatives sector includes two categories of business. Of the agriculture co-operatives established between 1960 and 1995, 41% were still operating in 1998, which demonstrates the strong viability of these undertakings. However, since 1985, new agricultural co-operatives, coming mainly from more specialized sectors, have demonstrated a weaker survival rate over the long-term The survival rate for these businesses is only 44% after 10 years, that is, a difference of only 3% compared to the general survival rate, which is 41%.

Chart 11 **Survival rates for producer co-operatives, by sector, after 5 and 10 years, %**



Source: Co-operatives Branch, DIT

** The 10-year survival rate of the CUMA could not be established since this new concept for co-operatives was only developed in the 1990s.*

2.2 The agricultural sector

Agricultural co-operatives are long-lasting since they reach the five-year mark seven times out of ten while in the private agricultural sector, four businesses out of ten manage to survive past five years. After 10 years, the survival rate for these co-operatives is 44%, compared to 20% for the private sector (see comments on the previous page).

Today in Québec, agricultural co-operatives, including the Coopérative Fédérée de Québec, have more than 33,000 members, and generate more than $4.5 billion worth of business, and employ 12,000 people. There are 132 co-operatives in this sector.

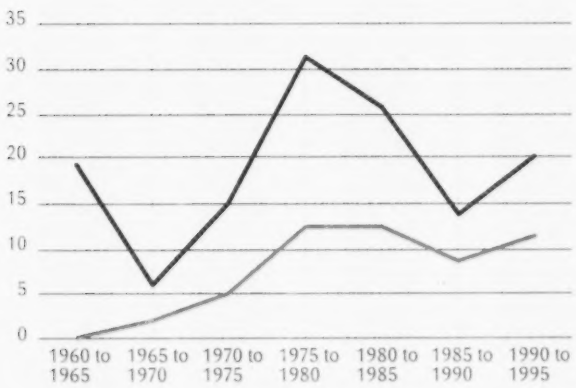
Among non-financial co-operatives, traditional agricultural co-operatives generate the greatest economic activity in the co-operative sphere. With their federation, la Coopérative Fédérée de Québec, has sales figures representing 78% of the activities of all co-operatives in Québec and 47% of the jobs. What is remarkable about these co-operatives is the fact that they are diversified. They supply goods and services to their members and often process and sell products. Some of these co-operatives are world-scale businesses that export outside Québec and to a number of countries.

In many areas of the agri-food sector, agricultural co-operatives have become front-line players, if not the leaders. They process and market 60% of the milk and pork and 80% of the poultry produced in Québec. The Coopérative Fédérée de Québec and Agropur are the two main pillars of this co-operative

sector. We must not forget that for almost 80 years now, the Coopérative Fédérée de Québec has supported its members in a number of areas (supply, technical support, processing, marketing, etc.). Agropur is the largest milk processor in Canada.

Most agricultural co-operatives are established under title II of Chapter 1 Québec's Co-operatives Act. It is the only sector that can, pursuant to clause 208, distribute remaining assets to members in the case of a liquidation. We note that few co-operatives have availed themselves of this prerogative.

Chart 12 Change in the number of agricultural co-operatives incorporated between 1960 and 1995, and number surviving in 1998



Source: Co-operatives Branch, DIT

The agricultural sector is an example of an evolution towards concentration. While the number of co-operatives has dropped since 1960, their size has continued to increase, because of mergers, acquisitions, and the addition of new activities. Chart 12 indicates a drop in the number of start-ups between 1965 and 1970. This trend illustrates the end of an important period of consolidation and amalgamation in this sector. While there were 407 co-operatives affiliated with the Coopérative Fédérée de Québec in 1955, there were only 310 in 1965, 186 in 1975, and 96 in 1998.

It is difficult to establish a significant comparison between survival rates for agricultural co-operatives and those in the private sector. In fact, this would have to be done with such diverse sectors as manufacturing and wholesale and retail trade, since most agricultural co-operatives engage in activities in each of these sectors. We might point out that private businesses in the manufacturing sector have a survival rate of 44%[12] after five years and 28% after 10 years. For wholesale and retail trade, the rates are respectively 45% and 37% after five years and 29% and 20% after 10 years. In all categories, agricultural co-operatives dominate their sector. This advantage for co-operatives is directly related to the services provided by the Coopérative Fédérée de Québec. For decades, this federation has helped co-operative businesses and more particularly those experiencing difficult times; it has encouraged mergers and, more importantly, has provided top-notch management support.

[12] Statistics Canada

2.3 The farm machinery co-operatives (CUMA)

Among agricultural co-operatives, we find farm machinery co-operatives (known in Québec as, coopératives d'utilisation de matérial agricole - CUMA) which deal exclusively with the rental of farm machinery to their members. The first CUMA began in the early 1990s in Eastern Québec and the formula has since been adopted in a number of regions.

Sharing the use of equipment enables member farmers to cut costs considerably. This approach is now used to share forestry equipment as well as labour. It is too early to accurately predict the future prospects of these co-operatives which are still young. However, the fact that they are relatively simple to manage, that they have the support of the ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec (MAPAQ) (Department of Agriculture, Fisheries and Food of Québec) in some regions, and that they allow their members to make substantial savings should ensure very high success rates. It is interesting to note that more than 40 CUMA have been formed since 1991, and only one has had to cease operations. While most of these businesses are under five years old, the concept is a promising one and is rapidly spreading to all regions of Québec.

2.4 Other sectors

The other producer co-operatives of Québec are found in the "Other Sectors" category. There is a fairly high concentration of these co-operatives in the taxi, handicraft and corporate services sectors. In the taxi sector, all of the co-operatives established between 1984 and 1997 are still operating, thus the survival rate is 100% over both 5 and 10 years. For the handicraft and corporate services sectors, the five-year survival rate is 82%, whereas the 10-year survival rate is 60%. For the "Other Sectors" category as a whole, the five-year survival rate for co-operatives is 76% and the 10-year survival rate is 70%. It is difficult to compare co-operatives and private sector businesses, as their activities are too disparate.

Worker co-operatives

CHAPTER 3

3.1 General Profile

The main goal of a worker co-operative is to provide work for its members. This section which deals with labour and worker co-operatives, includes co-operatives in forestry, ambulance and blueberry sectors, among others. The table below shows the number of co-operatives established from 1960 to 1995 in the various sectors, compared to the number of co-operatives still operating in 1998. With the exception of forestry co-operatives, workers co-operatives are a relatively recent phenomenon: major growth and diversification date only from the 1980s.

Despite significant breakthroughs in some economic sectors, forestry co-operatives continue nonetheless to be the driving force for growth among worker co-operatives.

The figures in Table 3 indicate that worker co-operatives, as a whole, have a general survival rate of 20% (147 over 734). Thus, in the long term, ambulance co-operatives have a survival rate of 83%; forestry co-operatives have a survival rate of 34%, blueberry farming co-operatives have a survival rate of 52%, and the survival rate for co-operatives in other sectors is 14%. While the survival rate for the forestry industry is 34%, it should be noted that forestry ventures that have survived are clearly older than other worker co-operatives.

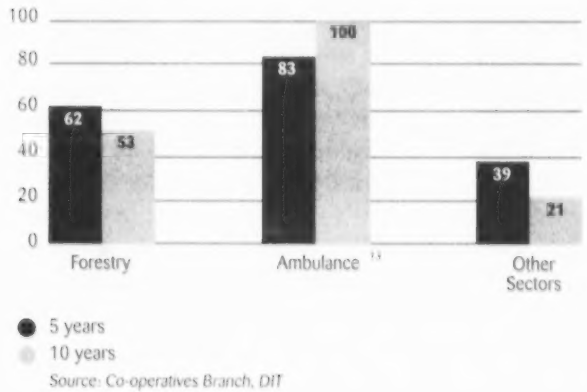
Table 3 Comparison of the number of worker co-operatives incorporated between 1960 and 1995 (5-year periods), and the number surviving in 1998

Years	Forestry		Ambulancing		Blueberry Farms		Other Sectors		Sectoral Total	
	No estabi.	Operat. in 1998	No estabi.	Operat. in 1998	No estabi.	Operat. in 1998	No estabi.	Operat. in 1998	No estabi.	Operat. in 1998
1960 to 1965	53	11					12	0	65	11
1965 to 1970	28	4					6	0	34	4
1970 to 1975	8	5					32	2	40	7
1975 to 1980	8	5			18	9	39	8	65	22
1980 to 1985	21	11			3	2	108	8	132	21
1985 to 1990	22	7	5	4			234	17	261	28
1990 to 1995	18	10	1	1			118	43	137	54
Total	**158**	**53**	**6**	**5**	**21**	**11**	**549**	**78**	**734**	**147**

Source: Co-operatives Branch, DIT

Chart 13 reveals the significant gap between sectors where there is a critical mass of co-operatives, such as forestry and ambulance services, and the other sectors, including blueberry farms.

Chart 13 Survival rate of worker co-operatives, by sector, after 5 and 10 years, %



Source: Co-operatives Branch, DIT

The forestry and ambulance co-operatives have a higher survival rate than SMEs in general. However, the performance of other worker co-operatives is similar to that of the sector as a whole (Statistics Canada)[14], or somewhat weaker according to figures provided by the Institut de recherche sur les PME (UQTR).

3.2 The forestry sector

Forestry co-operatives are sustainable as they last longer than five years 6 times out of 10, whereas in the private sector of the forestry industry and services only 3 enterprises out of 10 succeed. Over a 10-year horizon, forestry co-operatives present a 53% survival rate as opposed to 18%[15] for the sector as a whole.

At the present time, in Québec, forestry co-operatives have a membership of 3,500, an annual turnover of $430 million, and employ more than 5,800 people (including seasonal workers). There are 48 co-operative enterprises in this sector.

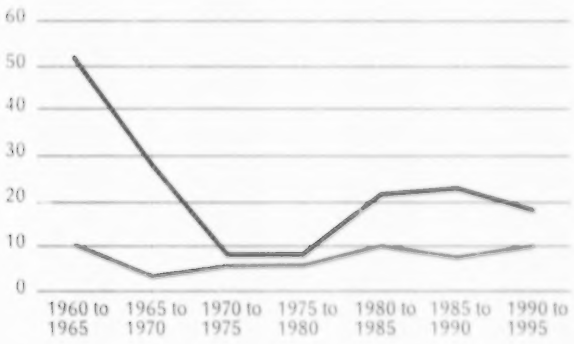
Forestry co-operatives provide work for their members by operating in the areas of wood cutting, forestry development, production of tree seedlings, and processing or marketing of forest products. This is the most important group of worker co-operatives in Québec.

[13] In the case of ambulance services, the figure after 10 years must be treated with caution, because only one ambulance co-operative has more than 10 years of existence and still in operation. However, the trend noted after 5 or 10 years is confirmed in the long term.

[14] Statistics Canada, *The Determinants of Survival for New Canadian Firms: A Characteristics-Based Approach*, p. 6

[15] Idem, p. 6

Chart 14 **Change in the number of forestry co-operatives incorporated between 1960 and 1995, and number surviving in 1998**



Source: Co-operatives Branch, DIT

The first forestry co-operative, the Syndicat coopératif forestier de Grande-Vallée, was set up in 1938. Many other co-operatives followed, especially during the period from 1960 to 1965, as shown in Table 3 and Chart 14. Between 1970 and 1975, the forestry co-operative movement went through a period of difficulty (plants closing down, decrease in activity and loss of major contracts). The concerted efforts of various people involved in forestry co-operative development led to the adoption of the first Québec forestry co-operative development policy.

This policy allowed the sector to consolidate and especially to undertake diversification of its activities especially through the processing of wood material and forest management. The preceding chart provides a good illustration of the evolution of forestry co-operatives since the adoption of this policy.

Forestry co-operatives provide an example of a co-operative sector reaching a critical mass during the last 15 years. These enterprises, after a modest beginning, have become major players in many subsectors of the forest industry. Thus, they harvest over 20% of all wood taken from public forests and are responsible for over one-third of the development work in those forests. These enterprises have embraced sustainable development, and are committed to many projects involving multiple uses of the forest. Some of them are getting into secondary and tertiary processing of forest products.

3.3 The ambulance sector

Ambulance technician co-operatives are a relatively recent creation. They were all set up after 1985. The survival rate of these co-operatives is 83% after five years. Only one of these enterprises was set up more than 10 years ago, and it is still active.

Québec ambulance technician co-operatives have a membership of over 500, have an annual turnover of over $30 million, and employ 550 people. There are five co-operatives in this sector.

These co-operatives provide work to their members through the operation of an enterprise in the area of ambulance transportation.

The members of all the ambulance technician co-operatives are unionized. In most cases, it is the unions which, with the help of the Groupe de consultation pour le maintien de la création d'emplois du Québec (an advisory body for job creation), supported the creation of worker co-operatives in this sector. The five co-operatives now active cover large areas of Québec: the Québec City region, Saguenay/Lac-Saint-Jean, the Outaouais, the Montérégie, the Mauricie and the Lower St. Lawrence.

The ambulance sector is one with strong regulations, oversight and quotas. The survival rate of enterprises, and especially co-operatives, is high because of these characteristics. Each enterprise in this sector holds a monopoly over its own territory. These ambulance services existed before being changed into co-operatives. Also, the ambulance technician co-operatives are diversifying their activities more and more and offering other kinds of transportation. Some of them have also purchased other private enterprises in the sector, thus extending their activities.

3.4 The blueberry sector

This kind of co-operative provides employment to its members through the operation of a business involved in the cultivation and harvesting of blueberries. Blueberry fields, despite the seasonal nature of their activities, generate over $2 million in business. There are presently 11 active co-operatives in this sector.

In response to the interest shown by the MAPAQ, some 20 co-operatives were set up during the period from 1975 to 1980, mainly in the Saguenay/Lac-Saint-Jean region.

The population to establish the five-year and ten-year survival rates was small for this kind of co-operative, so it was impossible for us to establish the survival rate for those two periods. However, from 1960 to 1995, 21 blueberry co-operatives were set up and 11 of them were still active in 1998 for a general survival rate of 52%. This ratio is high, and emphasizes the viability of those enterprises.

We should point out that 90% of Québec's blueberry production comes from the Saguenay/Lac-Saint-Jean region. The co-operatives are responsible for some 16% of total production.

3.5 Other sectors

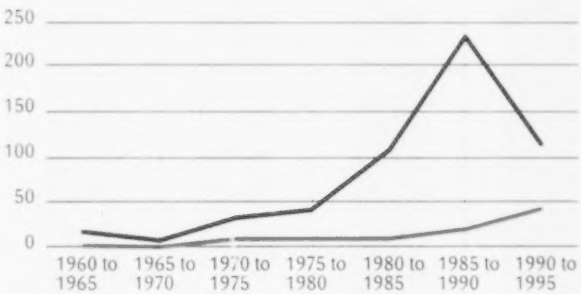
Worker co-operatives in other sectors are generally sustainable: they survive their first five years 4 times out of 10. This result is slightly higher than the private sector average. After 10 years of activity, the survival rate of these enterprises is similar to that of private business in general.

Presently in Québec, the co-operatives in the other sectors generate over $90 million in business yearly, and are responsible for about 2,000 jobs. There are 100 co-operative enterprises in these other sectors, many of them set up after 1995.

These co-operatives provide work for their members through the operation of firms in varied areas of activity such as agri-food, publishing, arts and performing arts, the restaurant business and servicing other businesses.

Chart 15 indicates that the number of worker co-operatives in the other sectors rose substantially from 1980 on. This increase coincides generally with the introduction of government financial and technical aid programs supporting the setting up of this kind of co-operative.

Chart 15 Change in the number of worker co-operatives incorporated in other sectors between 1960 and 1995, and number surviving in 1998



Source: Co-operatives Branch, DIT

It is interesting to note that the worker co-operatives doing business in those sectors, where there is no critical mass of co-operatives, have a survival rate that is practically identical to that of other private enterprises. It can be seen that those co-operatives, from different sectors, derive little benefit from the networking advantage found in other, more homogeneous co-operative sectors: agri-food, housing, student s, forestry and so on. A further observation is that many enterprises in this group are very small, which also makes them more vulnerable to the ups and downs of the market. This sector has also suffered from the decrease in government programs and services which occurred in the early 90s.

Worker-shareholder co-operatives

CHAPTER 4

4.1 General profile

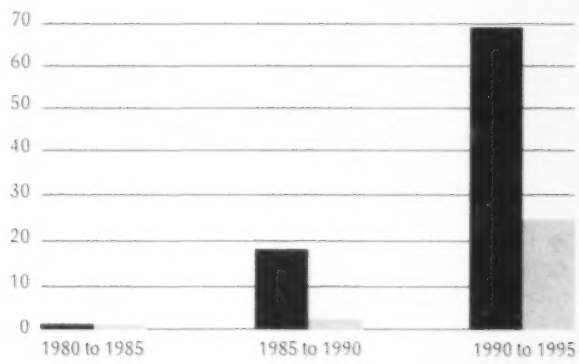
Worker-shareholder co-operatives (WSCs) are a recent phenomenon. It has been possible to set up this kind of co-operative since 1983. Most of them are in the manufacturing sector. These organizations are relatively sustainable, as 50% of them are still in existence after five years. Furthermore, their 10-year survival rate is 40%, while their long-term survival rate is 24%.

More than 2,500 people in Québec currently belong to worker-shareholder co-operatives. There are approximately 50 of these co-operatives.

WSCs are established in order to acquire a block of a company's shares, provided the acquisition allows the co-operative members to work at the company. The shares purchased for this purpose belong to the co-operative. As a general rule, these co-ops have been established in new sectors where traditionally co-operatives have not been very active. For example, WSCs are found in the industrial sector, where large amounts of capital is required and, to an increasing extent, within the new economy. They allow workers to take part in the day-to-day management of their company.

Between 1983 and 1992, since people were unfamiliar with the concept of worker-shareholder co-operatives, most WSCs established during this period were set up in order to get businesses back on their feet or to bail them out. Consequently, a large proportion of the WSCs analysed in this study were established under difficult circumstances, yet their five-year survival rate was 51% and their 10-year survival rate was 40% (see Chart 17). These rates are comparable to those obtained by the Institut de recherche sur les PME (UQTR), which were 47% after five years and 30% after ten years. Since 1992, the worker-shareholder co-operative model has been used in other contexts and for different reasons: to expand a business, to improve worker loyalty, to help pass on a business to the next generation, or to implement participatory management. We can expect this new generation of WSCs to enjoy a markedly higher survival rate, since they were established under more favourable circumstances.

Chart 16 Change in the number of worker-shareholder co-operatives incorporated between 1980* and 1995, and number surviving in 1998

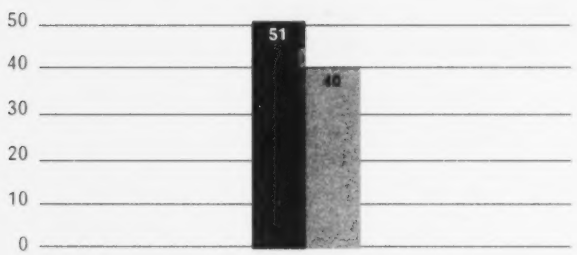


Source: Co-operatives Branch, DIT

* The concept of worker-shareholder co-operatives emerged in 1983.

The worker-shareholder co-operative model has allowed co-operativess to gain a foothold in new economic sectors where they were not very active. For example, WSCs have invested in the industrial sector and in the new economy. Since it is difficult to acquire 100% of a company in many of these high-capital areas, a WSC allows workers to form a partnership with other investors, which can help make things happen. Thanks to WSCs, the co-operative model is now being used in large processing companies (for example, J.M. Asbestos, Expro, Ford Papers and so on), which would not have been possible for a conventional worker co-operative.

Chart 17 **Survival rates for worker-shareholder co-operatives, after 5 and 10 years, %**



● 5 years
● 10 years

Source: Co-operatives Branch, DIT

To an increasing extent, worker-shareholder co-ops appear to be an excellent way of introducing the co-operative model into new economic sectors. WSCs help combine the strengths of the co-operative model and the strengths of the corporate model. Worker-shareholder co-operatives, which by their very nature are partnerships, should be of interest to more and more companies in the years to come.

Conclusion

This report shows that in general, the survival rates of co-operatives exceed the overall rate for the private sector.

However, a number of important qualifications are required if the results are to be seen in the right light. For example, some of these positive results for co-operatives are due to external or sectoral causes.

The high concentration of co-operativess in traditional or grass-roots sectors (the agri-food industry, forestry, funeral homes) improves the survival rate of such businesses. Demand tends to be steadier in these sectors. Moreover, some of these sectors are not as exposed to foreign competition, since business in these areas is primarily conducted in domestic markets.

A number of factors, linked more closely to the special nature of the co-operative model itself, also explain the high survival rates of co-operatives. Obviously, the co-operative model allows exploitation of the strength of a group. It allows a group to work together and achieve what members cannot do on their own. It also allows members to pool capital, as well as share risks, expertise and interest, working together toward a single goal. These characteristics of co-operatives have certainly had an influence on the survival of this kind of enterprise.

There are other aspects in the operations or dynamics of co-operatives that contribute to the success of a co-operative. When one distinguishes the co-operatives sector where survival rates are the highest, one sees that these are sectors where there are both definite grass-roots needs, and a critical mass of co-operatives. With respect to grass-roots needs, when people have common needs not being met by traditional companies, one usually sees a strong desire to take on responsibility for meeting them. Furthermore, the better established co-operatives are within a particular sector, thereby reaching a certain critical mass, the more they take advantage of business opportunities that come along. Forestry co-operatives are a good example of one area where co-operatives have reached a certain stage of development in the past 10 years or so, thereby accelerating and solidifying co-operative development.

In general, reaching a critical mass within a sector depends greatly on the presence of an underlying structure or a network represented by a federation or a sectoral or regional coalition. For example, sectoral coalitions usually offer many services that have a direct impact on the survival of member enterprises.

They develop and distribute administrative and management tools that are specific to the sector. They expand the market in their field and help establish purchasing and sales networks. They keep watch over the sector and lobby on behalf of co-operatives within it. These coalitions develop content for training purposes and provide it to co-operatives. Finally, they monitor co-operatives within the

sector and help get the weakest co- operatives back on their feet. These various forms of specialized support generate major spin-offs, which help co-operatives survive and expand.

For many years now, Québec co-operatives have been using three kinds of tools that are indispensable for co-operative development: technical assistance, financial assistance, and for some kinds of co-operative, tax breaks. This combination is seen in nearly all countries that have a dynamic co-operative movement. In Québec, technical assistance is primarily provided by regional development co-operatives and the federations of co-operatives. With regard to financial assistance, Investissement-Québec administers the Act Respecting Assistance for the Development of Co-operatives, while the Régime d'investissement coopératif (co-operators investment plan) provides tax breaks to promoters of worker and producer co-operatives.

In addition to these tools, Québec co-operatives benefit from a network of institutional and governmental support that has no equivalent in the rest of Canada. This network includes the Conseil de la coopération du Québec (Québec co-operation council), the Co-operatives Branch of the Department of Industry and Trade (DIT) (which runs the Régime d'investissement coopératif and an assistance program for regional development co-operatives) as well as Investissement-Québec (which has continued the funding activities of the Société de développement des coopératives).

Other partners are linked to this network, such as the universities, certain unions and other organizations that promote co-operative development. Thanks to their technical or financial support, these various organizations make a significant contribution to the development and survival of Québec co-operative businesses.

Given the success of co-operatives in sectors where there is one or more underlying coalition, and given the concept of a critical mass of co-operatives, the co-operative movement and the Co-operatives Branch of the DIT must decide which strategies should be followed to accelerate and consolidate co-operative development. In light of the study's results, it would appear that stakeholders should make more of an effort to target their activities. Furthermore, establishing a representative coalition in sectors deemed to be promising appears to be a priority for developing and supporting the sector.

It is also interesting to observe that the data from this study shows that businesses are twice as likely to go under during the first five years of activity: 36% of all co-operatives die before their fifth year of operation. In contrast, only 18% of co-operatives close down between the fifth and tenth year of activity.

The difference between the two periods (0-5 years versus 5-10 years) is even more pronounced for some kinds of co-operative. For example, 56% of all worker co-operatives shut down within the first five years, but only

18% do so between the fifth and tenth year. One must conclude that higher survival rates depend on regular follow-up and support during the first few years.

Creating sectoral co-operative models that can be reproduced also appears to be a useful way of speeding up co-operative development and improving the co-operatives' chance of survival. This kind of co-operative development strategy has been successful in a number of sectors, such as funeral homes, education, sharing of agricultural equipment, services to households, and so on. Thanks to this approach, it is possible to transpose to a larger scale a formula that has been tested and proven in a particular sector or region.

At a time when all economic stakeholders are looking for ways to increase the survival rate for businesses, it is interesting to see that in many sectors, co-operatives have made full use of the network approach to ensure their survival.

The network approach can take various forms, and can even become a national development strategy, as was the case in Denmark. In Québec, co-operatives take the network approach through the federations on a provincial level, while on the regional level, they use the regional development co-operatives for this purpose. Furthermore, it is clear that co-operatives will have to forge closer ties to the new external networks that are rapidly forming, particularly in the wake of the regionalization policy (for example, the local development centres and the local employment centres).

This study on the survival rates of co-operatives should shed new light on the co-operative model. Furthermore, judging by the results, it would appear that all in all, co-operatives are sustainable businesses. In many areas, their survival rates were in fact distinctly higher than those of other businesses. This fact deserves greater recognition.

As the co-operative model spills over into new sectors, including the social economy, the new economy and the manufacturing sector, it is interesting to see that this model has advantages that are worth considering. Indeed, this study is intended to be a milestone along the way as we reflect upon the co-operative model, as well as the main factors that contribute to a fuller use of this model.

APPENDIX A

Compilation of co-operative survival rates over nine five-year periods, from 1984 to 1997

Type of co-operative	Sector	*No of co-ops established	No of co-ops surviving after 5 years	5-year survival rate, expressed as %
Federations	Various sectors	11	11	100
Consumers	Food	13	4	31
	Funeral services	3	3	100
	Education	64	54	84
	Cable TV	21	20	95
	Other sectors	69	58	84
		170	139	82
Producers	Agriculture	24	18	75
	Farm equipment co-ops	7	6	86
	Other sectors	29	22	76
		60	46	77
Workers	Forestry	26	16	62
	Ambulance	6	5	83
	Other sectors	160	63	39
		192	84	44
Worker-shareholders		41	21	51
Solidarity/ multi-stakeholder		1	1	100
		475	302	**64**

*Co-operatives having produced an annual report.
According to Statistics Canada, the average survival rate of companies offering goods or services after five years is 36%.

APPENDIX B

Compilation of co-operative survival rates over four 10-year periods, from 1984 to 1997

Type of co-operative	Sector	*No. of co-ops established	No. of co-ops surviving 10 years later	10-year survival rate, %
Federations	Various sectors	7	6	86
Consumers	Food	10	1	10
	Funeral services	2	1	50
	Education	36	24	67
	Cable TV	12	11	92
	Other sectors	35	26	74
		95	63	66
Producers	Agriculture	9	4	44
	CUMAs	n/a	n/a	n/a
	Other sectors	10	7	70
		19	11	58
Workers	Forestry	17	9	53
	Ambulance	1	1	100
	Other sectors	103	22	21
		121	32	26
Worker-shareholders		5	2	40
Solidarity/ multi-stakeholder		n/a	n/a	n/a
		247	114	**46**

* Co-operatives that produced an annual report.
According to Statistics Canada, the average survival rate of goods or services firms after 10 years is 20%.

APPENDIX C

Compilation of the general survival rate (long-term) of co-operatives, 1960 to 1995

Type of co-operative	Sector[1]	*No. of co-ops established	No. of co-ops surviving in 1998	General survival rate % [2]
Consumers	Food	282	40	14
	Funeral services	60	45	75
	Education	185	95	51
	Cable TV	50	31	62
	Other sectors	395	140	35
		972	351	36
Producers	Agriculture	133	54	41
	CUMA	16	14	87
	Agriculture	182	52	26
		331	120	36
Workers	Blueberry production	21	11	52
	Forestry	158	53	34
	Ambulance	6	5	83
	Other sectors	549	78	14
		734	147	20
Worker-shareholders		87	21	24
		2 124[3]	639	30

*Co-operatives that produced an annual report.
According to Statistics Canada, the average survival rate of goods or services firms is 36% after five years.

1 Including the federations.
2 A general survival rate (long-term) of co-operatives was established. This is how we checked the firms that had survived in 1998 but were established between 1960 and 1995.
3 This figure does not include the housing sector. Between 1960 and 1965, there were 1,672 housing co-operatives. In 1998, 1,001 of these co-operatives were still active – a general survival rate of 60%.

Survival rate of Canadian firms by sector, from 0 to 11 years.
a) Estimates of the survival function by division - Goods sector[1]

Period	Agriculture	Fishing and trapping	Logging and forestry services	Mines, quarries and oil wells	Manufac-turing-industries	Construction	Total
0	1.00	1.00	1.00	1.00	1.00	1.00	1.00
1	0.74	0.77	0.73	0.82	0.83	0.75	0.76
2	0.60	0.64	0.55	0.67	0.68	0.59	0.61
3	0.50	0.54	0.44	0.56	0.58	0.49	0.51
4	0.43	0.47	0.37	0.48	0.50	0.41	0.43
5	**0.37**	**0.41**	**0.31**	**0.41**	**0.44**	**0.35**	**0.37**
6	0.32	0.36	0.27	0.36	0.40	0.31	0.33
7	0.28	0.32	0.24	0.32	0.36	0.27	0.29
8	0.25	0.30	0.21	0.29	0.33	0.24	0.26
9	0.22	0.27	0.20	0.26	0.30	0.22	0.23
10	**0.20**	**0.24**	**0.18**	**0.23**	**0.28**	**0.19**	**0.21**
11	0.18	0.22	0.16	0.21	0.26	0.17	0.19

b) Estimates of the survival function by division - Services sector[2]

Period	Transport and-storage	Trade and other public services	Whole-sale trade	Retail trade	Financial interme-diaries and insurance	Real estate services and insurance agencies	Business services	Lodging and restau-rants	Other services	Total
0	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
1	0.79	0.80	0.84	0.82	0.81	0.83	0.83	0.80	0.68	0.78
2	0.62	0.63	0.69	0.64	0.67	0.68	0.68	0.60	0.49	0.60
3	0.52	0.51	0.59	0.52	0.57	0.58	0.58	0.48	0.38	0.49
4	0.44	0.44	0.51	0.43	0.49	0.51	0.50	0.40	0.30	0.41
5	**0.38**	**0.37**	**0.45**	**0.37**	**0.42**	**0.44**	**0.44**	**0.33**	**0.25**	**0.35**
6	0.33	0.32	0.41	0.32	0.37	0.39	0.39	0.28	0.21	0.30
7	0.29	0.29	0.37	0.28	0.33	0.35	0.34	0.25	0.18	0.27
8	0.26	0.26	0.34	0.25	0.29	0.31	0.31	0.22	0.16	0.24
9	0.24	0.23	0.31	0.22	0.26	0.28	0.28	0.19	0.14	0.21
10	**0.22**	**0.21**	**0.29**	**0.20**	**0.23**	**0.26**	**0.26**	**0.17**	**0.12**	**0.19**
11	0.20	0.20	0.27	0.18	0.21	0.23	0.23	0.15	0.11	0,17

[1] From the document entitled *The Determinants of Survival for New Canadian Firms: A Characteristics-Based Approach*, Statistics Canada, 1998, p. 6 (Table 2)

[2] From the document entitled *The Determinants of Survival for New Canadian Firms: A Characteristics-Based Approach*, Statistics Canada, 1998, p. 7 (Table 3)

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